

1999 Construction Materials Credit

Obtain additional information or assistance, tax forms and instructions, and copies of tax rulings and tax procedures by contacting one of the numbers listed below:

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General Instructions

ARS §§ 43-1082 and 43-1171 provide a tax credit of 5 percent of the purchase price of new construction materials incorporated into a qualifying facility located entirely within Arizona. "Purchase price" means either the direct cost of materials purchased by the taxpayer from a supplier for incorporation into the qualifying facility, or the direct cost of materials paid by a contractor for incorporation into the taxpayer's qualifying facility. The tax credit applies to taxable years beginning from and after December 31, 1994.

A taxpayer may claim the credit for a new qualifying facility if construction of the facility began on or after January 1, 1994, and is completed on or before December 31, 1999. A facility qualifies for the credit if it is a new building or structure, or an expansion of an existing building or structure, located entirely within Arizona. The qualifying facility must be used predominantly for manufacturing, fabricating, mining, refining, metallurgical operations, or research and development as defined in ARS § 43-1168. The facility must have a total construction cost in excess of five million dollars. The credit must be claimed in the taxable year in which the facility receives a certificate of occupancy. For taxable years beginning from and after December 31, 1995, "qualifying facility" includes a facility used predominantly for direct broadcast satellite television or data transmission services, as defined in ARS § 43-1082 or § 43-1171.

If the allowable tax credit exceeds the taxes otherwise due or, if there are no taxes due, the amount of the credit not used to offset taxes may be carried forward for not more than five taxable years as a credit against subsequent years' income tax liabilities.

Co-owners of a business, including partners in a partnership and shareholders of an S corporation, may each claim only the pro rata share of the credit allowed based on the

ownership interest.

Exception for providers of direct broadcast satellite television or data transmission services: For taxable years beginning from and after December 31, 1995, partners in a partnership and members in a limited liability company classified as a partnership for federal tax purposes may allocate the credit for a qualifying facility in the proportion stated in the partnership or operating agreement. The total of the credits allowed all owners may not exceed the amount that would have been allowed for a sole owner of the business.

Line-by-Line Instructions

Complete the name and taxpayer identification number section at the top of the form. Indicate the period covered by the taxable year (in an MM/DD/YYYY format). Attach the completed form to the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The TIN for a corporation, S corporation, or a partnership is the taxpayer's federal employer identification number. The TIN for an individual is the taxpayer's social security number or an IRS individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part I - Schedule of Qualifying Facilities and Calculation of Current Taxable Year's Credit

Lines 1 through 5 -

Column (a): Enter the date on which the qualifying facility received a certificate of occupancy.

Column (b): Enter a brief description of the facility and the location of the facility.

Column (c): Enter the total cost of qualifying construction materials for the facility. Do not include labor or any indirect costs, such as delivery charges, in the total cost of qualifying construction materials. "Construction materials" means tangible personal property incorporated into and permanently affixed to the qualifying facility other than materials exempt from taxation under ARS § 42-5061 or § 42-5159, subsection B.

If there are more than 5 qualifying facilities, complete additional schedules. Attach the completed schedules to Form 316.

Line 6 -

Add lines 1 through 5 in column (c) and enter the total.

Line 7 -

Enter the aggregate column (c) totals from additional schedules.

Line 8 -

Add lines 6 and 7. Enter the total. This is the total cost of new construction materials incorporated into all of the qualifying facilities for which the taxpayer is claiming the credit.

Line 9 -

Multiply line 8 by 5 percent and enter the result. This is the allowable credit for the current taxable year.

Part II - S Corporation Credit Election and Shareholder's Share of the Credit

Line 10 - S Corporation Credit Election

S corporations must complete line 10. The S corporation must make an irrevocable election to either claim the credit or pass the credit through to its shareholders. The election statement must be signed by one of the officers of the S corporation who is also a signatory to the Form 120S.

Lines 11 through 13 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 11 through 13.

The S corporation must complete Part I. Then, complete Part II, lines 11 through 13, separately for each shareholder. The S corporation must furnish each shareholder with a copy of the completed Form 316.

Each shareholder must complete Part IV and Part V.

Part III - Partner's Share of Credit

Note for providers of direct broadcast satellite television or data transmission services: *A partnership or a limited liability company classified as a partnership for federal tax purposes must complete the allocation statement on page 2 of Form 316 before completing lines 14 through 16.*

Lines 14 through 16 -

The partnership must complete Part I. Then, complete Part III, lines 14 through 16, separately for each partner. The partnership must furnish each partner with a copy of the completed Form 316.

Each partner must complete Part IV and Part V.

Part IV – Available Credit Carryover

Complete Part IV only if the allowable construction materials credit for prior taxable years exceeded the Arizona income tax liability for those taxable years. Calculate the total available carryover of the pollution control credit on page 2, Part IV, lines 17 through 22.

Enter the applicable taxable year(s) in column (a) on lines 17 through 21. In column (b), enter the credit originally computed for that taxable year. In column (c), enter the amount of the credit from that taxable year which has already been used. Subtract the amount in column (c) from column (b) and enter the difference in column (d). Add the amounts entered on lines 17 through 21 in column (d). Enter

the total on line 22, column (d). This is the total construction materials credit carryover available for the current taxable year.

Part V - Total Available Credit

Line 23 -

Individuals and corporations (including S corporations that elected to claim the credit) - Enter the current year's credit from Part I, line 9.

S corporation shareholders - Enter the credit from Part II, line 13.

Partners of a partnership - Enter the credit from Part III, line 16.

This is the current taxable year's construction materials credit.

Line 24 -

Enter the amount from Part IV, line 22, column (d). This is the total available credit carryover.

Line 25 -

Add lines 23 and 24. This is the total available construction materials credit which may be applied to the current taxable year's tax liability. Enter the total here and on Form 300, Part I, line 12, or Form 301, Part I, line 12.